

FmHA AN No. 2685(1951)
November 9, 1992

SUBJECT: Guidelines for Review of Complete 1951-S
Application, Writedown, and Net Recovery
Buyout under FmHA Instruction 1951-S

TO: State Directors, District Directors, and
County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for reviewing complete applications for Primary and Preservation Loan Servicing, as well as writedown and net recovery buyout actions provided for under FmHA Instruction 1951-S. This AN is intended to supplement the provisions of FmHA Instruction 1951-S for review and accuracy purposes. The AN does not supersede the requirements of FmHA Instruction 1951-S which are not included on the checklists.

COMPARISON WITH PREVIOUS AN:

This AN consolidates and replaces AN No. 2311(1951) dated June 19, 1991, and AN No. 2483(1951) dated February 27, 1992. The AN has been updated for changes reflected in FmHA Instruction 1951-S.

IMPLEMENTATION RESPONSIBILITIES:

Attachment A should be used by County Offices when processing all requests for primary and preservation loan

EXPIRATION DATE: October 31, 1993

**Filing Instructions
Preceding FmHA
Instruction 1951-S**

servicing under FmHA Instruction 1951-S. Once the transaction is completed, the checklist should become a part of the running case file record.

Attachments B-1 and B-2 should be used by State and County Offices to review debt servicing requests for writedown. Attachments C-1 and C-2 should be used by State and County Offices to review debt servicing requests for net recovery buyout. If the borrower has a combined debt of over \$1,000,000 or if the borrower is an entity, the entire case file will be reviewed by the State Director's designee before a writedown or net recovery buyout is approved. A notation will be made on the appropriate attachment that such a review was made. Upon completion, the checklist should be attached to and filed with the DALR\$ printout.

ANY REVISIONS OR MODIFICATIONS TO THIS AN THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR OF FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

If you have any questions regarding this AN, contact Bruce K. Mair, Farmer Programs Loan Servicing and Property Management Division, at 690-4009.


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Administrator

Attachments

ATTACHMENT A

CHECKLIST FOR COMPLETE APPLICATION PRIMARY AND PRESERVATION LOAN SERVICING PROGRAMS

1.Attachment 2 or 4 of Exhibit A to FmHA Instruction 1951-S.
2.Form FmHA 410-1 APPLICATION FOR FmHA SERVICES.
(Current Financial Statements on all liable parties required.)
3.Form FmHA 410-8 APPLICANT REFERENCE LETTER.
4.Form FmHA 410-9 STATEMENT REQUIRED BY THE
PRIVACY ACT.
5.Form FmHA 431-2 FARM AND HOME PLAN (FHP).
6.Form FmHA 440-32 REQUEST FOR STATEMENT OF DEBTS
AND COLLATERAL.
7.Form FmHA 1910-5 REQUEST FOR VERIFICATION OF
EMPLOYMENT.
8.Form FmHA 1924-1 DEVELOPMENT PLAN if applicable
9.Form AD-1026 ASCS HEL CONSERVATION AND
WETLAND CONSERVATION
CERTIFICATION.
10.Form CPA-026 SCS HEL AND WETLAND CONSERVATION
DETERMINATION.
11.ASCS Photo of Farm if applicable.
12.Most recent 5 years income tax returns.

The date of complete application has been entered on Section 20 of Form FmHA 410-1 as; "Date of Complete Application: mm/dd/yy." This date has also been entered into the AgCredit program.

FmHA Review Official:

WRITEDOWN REVIEW CHECKLIST
FOR INFORMATION NEEDED
PRIOR TO STATE DIRECTOR APPROVAL

1.Eligibility determination as outlined under Section 1951.909(c) is recorded in case file running record. Documentation is included concerning \$300,000 limit requirement outlined under Section 1951.909(e)(4)(iii) of FmHA Instruction 1951-S.
2.Current, properly completed real estate and/or chattel appraisal(s) on all FmHA security.
3.Current, completed, automated FHP with the appropriate dates and signatures.
 - a. Nonfarm and other farm income has been verified and correctly entered on the FHP.
 - b. All debts and collateral have been verified and correctly entered on the FHP. Credit report(s) (obtained at FmHA expense) is/are included in the case file.
 - c. The projected income, expenses and production figures are based upon the borrowers documented 5-year history in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B.
 - d. The unit commodity prices used on the FHP are documented and comply with Section 1924.57(c) of FmHA Instruction 1924-B.
4.Completed Credit and Financial Analysis Forms.
5.Forms FmHA 1962-1 and Security Agreements or Crop and Chattel Mortgages verifying whether all chattel security has been properly accounted for.

6.DL Screen with the same effective date as the date of restructure.
7.Correct version of DALR\$ (Version 5.0 for all applications received after April 30, 1990, Version 4.2 for all other applications), signed and dated by the County Supervisor, with the same effective date of the date of restructure.
 - a. The correct interest rates (original and present), terms, and unpaid principle and interest figures for all FmHA debts were entered into DALR\$.
 - b. The correct constants for net recovery value were used in DALR\$.
 - c. "Balance Available" and "Payments on Non-FmHA Debt" in DALR\$ correspond to the figures from Tables J and K of the FHP.
 - d. The projected loans on the FHP have been correctly entered into DALR\$.
 - e. The value of the borrower's assets as documented by appraisals have been correctly entered into DALR\$.
 - f. Prior liens and amounts of prior liens have been verified and correctly entered into DALR\$.
 - g. For all applications received on or after November 28, 1990, the value of nonessential assets and unreleased security as properly documented has been correctly entered into DALR\$.

8.Compact Borrower History Report.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

<u>County Supervisor</u>	<u>Date</u>	<u>State Director Designee</u>	<u>Date</u>
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ENTITY OR MILLION DOLLAR BORROWER CERTIFICATION:

I certify that I have made a thorough review of the borrower's case files. I found no reason why the borrower would not be eligible for the writedown of FmHA debt documented above.

<u>State Director Designee</u>	<u>Date</u>
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Comments:

ATTACHMENT B-2

WRITEDOWN REVIEW CHECKLIST
POST-STATE DIRECTOR APPROVAL

1.Exhibit F to FmHA Instruction 1951-S and Attachment 1 or 2 of Exhibit F to FmHA Instruction 1951-S. (Attachment 2 will be used for all applications received on or after November 28, 1990.)
2.Exhibit D to FmHA Instruction 1951-S, "Shared Appreciation Agreement," if loan(s) secured by real estate.
3.Form(s) FmHA 1940-17, "Promissory Note."
4.Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," if applicable.
5.For all applications received on or after November 28, 1990, a lien was taken on other assets as required under Section 1951.910(b) of FmHA Instruction 1951-S.
6.Form FmHA 1951-56, "Loan Deferral," if DALR\$ indicates a loan should be deferred.
7.ADPS Transactions:
 - a. 5H, "Remove Descriptive Codes" (if applicable).
 - b. 1M, "Reschedule/Reamortize, Consolidation."
 - c. 3R, "Shared Appreciation Writedown," (if applicable).
 - d. 5W, "Record Loan Deferral," (if applicable).
 - e. 5G, "Establish Descriptive Code," (for deferral if applicable).
8.Complete Borrower History Report.

9.Original (old) Promissory Note(s) marked,
"Rescheduled or Reamortized with Writedown Debt,"
and stapled to the new Note(s).
10.Form FmHA 1905-1, "Management System Card," updated
for 24-month review of County Records.

I certify that I have made a thorough review of the above
material and have found it to be complete and accurate.
Documentation to support my findings is included in the case
file.

County Supervisor Date

ATTACHMENT C-1

NET RECOVERY BUYOUT REVIEW CHECKLIST
FOR INFORMATION NEEDED
PRIOR TO STATE DIRECTOR APPROVAL

1.Eligibility determination as outlined under Section 1951.909(c) is recorded in case file running record. Documentation is included concerning \$300,000 limit requirements outlined under Section 1951.909(h)(4)(iv) of FmHA Instruction 1951-S.
2.Exhibit E to FmHA Instruction 1951-S with Attachments 1 or 2 of Exhibit E to FmHA Instruction 1951-S. (Attachment 2 to be used for all applications submitted on or after November 28, 1990.)
3.Current, properly completed real estate and/or chattel appraisal(s) on all FmHA security.
4.Current, completed, automated FHP with the appropriate dates and signatures.
 - a. Nonfarm and other farm income has been verified and correctly entered on the FHP.
 - b. All debts and collateral have been verified and correctly entered on the FHP. Credit report(s) (obtained at FmHA expense) is/are included in the case file.
 - c. The projected income, expenses and production figures are based upon the borrowers documented 5-year history in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B.
 - d. The unit commodity prices used on the FHP are documented and comply with Section 1924.57(c) of FmHA Instruction 1924-B.
5.Completed Credit and Financial Analysis Forms.
6.Forms FmHA 1962-1 and Security Agreements or Crop and Chattel Mortgages verifying whether all chattel security has been properly accounted for.

7.DL Screen with the same effective date as the date of restructure.
8.Correct version of DALR\$ (Version 5.0 for all applications received after April 30, 1990, Version 4.2 for all other applications), signed and dated by the County Supervisor, with the same effective date of the date of restructure.
 - a. The correct interest rates (original and present), terms, and unpaid principle and interest figures for all FmHA debts were entered into DALR\$.
 - b. The correct constants for net recovery value were used in DALR\$.
 - c. "Balance Available" and "Payments on Non-FmHA Debt" in DALR\$ correspond to the figures from Tables J and K of the FHP.
 - d. The projected loans on the FHP have been correctly entered into DALR\$.
 - e. The value of the borrower's assets as documented by appraisals have been correctly entered into DALR\$.
 - f. Prior liens and amounts of prior liens have been verified and correctly entered into DALR\$.

.... g. For all applications received on or after November 28, 1990, the value of nonessential assets and unreleased security as properly documented has been entered correctly into DALR\$.

9.Compact Borrower History Report.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor	Date	State Director Designee	Date
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ENTITY OR MILLION DOLLAR BORROWER CERTIFICATION:

I certify that I have made a thorough review of the borrower's case files. I found no reason why the borrower would not be eligible for the Net Recovery Buyout documented above.

State Director Designee	Date
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Comments:

ATTACHMENT C-2

NET RECOVERY BUYOUT REVIEW CHECKLIST
POST-STATE DIRECTOR APPROVAL

1.Attachments 5 or 5-A and Attachments 6 or 6-A of Exhibit A to FmHA Instruction 1951-S. (Attachments 5-A and 6-A to be used for all applications submitted on or after November 28, 1990.)
2.Form FmHA 451-2, "Schedule of Remittance."
3.Exhibit C or C-1 to FmHA Instruction 1951-S, "Net Recovery Buyout Recapture Agreement," if real estate is involved. (Exhibit C-1 to be used for all applications received on or after November 28, 1990.)
4.Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," if real estate is involved. Best lien obtainable should be taken and old security instruments released.
5.ADPS Transaction 3Q, "Net Recovery Buyout."
6.Complete Borrower History Report.
7.Form 1905-1, "Management System Card," updated for 24-month review of County Records.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date